

*Architect of Satellite Radio at FCC Says Merger is Pro-Competitive,  
1997 License Rules Not an Issue with the Merger*

**WASHINGTON, DC and NEW YORK, NY – November 13, 2007** – XM Satellite Radio (NASDAQ:XMSR) and SIRIUS Satellite Radio (NASDAQ: SIRI) announced today that, as part of an interview, former FCC Chairman Reed Hundt voiced support for the merger of SIRIUS and XM. A copy of the unedited transcript of the interview was filed today with the Federal Communications Commission (FCC).

Mr. Hundt served as Chairman of the FCC from 1993 through 1997. During his tenure, the Commission formulated rules for satellite radio and granted SIRIUS and XM their licenses, a process in which Mr. Hundt was integrally involved.

In the interview, Mr. Hundt discussed, among other things, the proposed merger of SIRIUS and XM, the creation of the satellite radio rules, the rationale behind the establishment of two satellite radio licenses and developments in the audio entertainment market since 1997.

**The Merger is Pro-Competitive**

When asked in an on the record conversation what his views of the merger were, Mr. Hundt stated:

"I think that if XM and Sirius combined, it will be pro-competitive in all likelihood. It seems to me that that is far more likely than not. It seems to me that what has happened over time is that these two firms have proved when kept apart to be incapable of mounting the really serious competition against ... terrestrial radio that I had always hoped for. And it seems to me that there's no indication of any anticompetitive outcome if they do combine, so let's give them a chance to have a sharper point on the arrow and see if they can do better in terms of penetrating the listener audience."

**Separate Licenses Are Not an Issue for the Merger**

Given some of the outstanding questions surrounding the creation of two separate licenses for XM and SIRIUS at the time of inception, Mr. Hundt, as the Chair of the FCC at the time, used this discussion to clarify for the record the intention behind the FCC's 1997 order creating the satellite radio service.

"I should just say my thought was this: Let's start out with these two licenses, since it is not clear exactly what is the optimal business model, and then let's let the two firms go at it for a while and see what happens. But it was never the case that these service rules were intended to be written [in] concrete or, like the Constitution of the United States, changed only through an elaborate process. It was an attempt to figure out a good way to get the satellite radio industry off to a pro-competitive start and then in the fullness of time the FCC and the parties and the people in the industry would be able to see, well, what works and what doesn't work, what's happening and what isn't happening."

**The Market Has Changed**

As the regulatory process continues and both the FCC and the Department of Justice (DoJ) review market definition, Mr. Hundt's thoughts on the current market for audio entertainment and all of the competitive options available are especially interesting.

"[T]here are so many new ways fundamentally spawned from digitization and the tremendous increase of processing power per dollar, there are so many new ways to generate and deliver content to listeners that the idea that either satellite radio as a distinct market or that satellite radio is the only competitor against terrestrial broadcasting, neither one of those ideas holds water anymore."

### **Satellite Radio Is a Necessary Competitor to AM/FM Radio**

Mr. Hundt also reviewed the intention behind establishing satellite radio as a competitor to terrestrial AM/FM radio.

“[T]here was not a shadow of doubt in my mind that the competitive force of satellite radio was one of the very few arrows we had to shoot at this elephant-like industry that was going to be created in terrestrial radio. And as I said, looking back over the last ten years, both things proved to be true. It's just that the arrow, if you want to put it that way, of satellite radio has not had a sharp enough point on it.”

As part of the interview, Mr. Hundt stated that, as former Chairman of the FCC, he felt an obligation to address on the record the important issues related to satellite radio with which he was integrally involved during his tenure.